

Internal Revenue Service

Department of the Treasury

District
Director

Date:

DEC 1 1954
Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Gentlepeople:

We have considered your application which you filed for recognition of exemption from Federal income tax under Section 501(c)(7) of the Internal Revenue Code of 1954.

Your primary purpose is to attain members who are interested in economically attending an annual vacation site, and to collect weekly sums of money from members to be utilized for the cost of the annual vacations.

Membership is open to anyone who is interested in one annual vacation. Members of the group are allowed to vacation separately and continue paying weekly sums to the organization, and any member may drop out of the group at any time during the course of a year.

Your main activities consist of making travel arrangements for annual vacations, which involves economical dealings with different travel agencies; collecting weekly sums of money from members to be utilized for the cost of the annual vacations, which includes the purchase of airline tickets, and bus rentals to bring the members to and from [REDACTED].

In Revenue Ruling 70-32, a club was organized to promote economical flying facilities for its members. Membership is open to all persons who are interested in flying. The sole activity of the club involves the operation and maintenance of the facilities for use by the members. There is little commingling among members for social or recreational purposes.

It is held that the club does not qualify for exemption from Federal income tax under Section 501(c)(7) of the Code, because the sole activity of this club is rendering flying services to its members and there is no significant commingling of its members.

Section 501(c)(7) of the Code provides for exemption from Federal income tax of clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes provided no part of the net earnings inures to the benefit of any private shareholder.

(2)

In order for a club to meet the requirements for exemption under Section 501(c)(7) of the Code, there must be an established membership of individuals, personal contacts, and fellowship. Furthermore, a commingling of members must play a material part in the activities of the organization.

Since your main purpose and activities consist of simply collecting weekly sums from members and making travel arrangements for annual vacations that members may attend separately, there is little commingling among the members of your organization for social or recreational purposes.

Therefore, it is held that your organization does not qualify for exemption under Section 501(c)(7) of the Code, and you are required to file Federal tax returns on Form 1120. Nor do you qualify under any other paragraph of section 501(c).

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,

District Director

Enclosure: Publication 892